

**SPECIAL MEETING  
BOARD OF MAYOR AND ALDERMEN  
In Joint Session with Board of School Committee  
(Called by Mayor Baines)**

**February 12, 2002**

**7:00 PM**

Mayor Baines called the meeting to order.

The Clerk called the roll.

In attendance:

**Board of Aldermen:** Aldermen Wihby, Gatsas, Guinta, Sysyn, Osborne, Pinard, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Thibault and Forest

**Board of School Committee:** School Committee Members Stewart, Elise, Donovan, Herbert, Labanaris, Gross, Healy, Dubisz-Paradis, Beaudry, Cote, Ouellette, Perry, Kelley-Broder

Absent: School Committee Member McDonough

Mayor Baines welcomed everyone to Elm Street in downtown Manchester many, many years ago. This is a spectacular museum and it has become quite a destination place for both visitors and people who grew up in Manchester where they can live the memories of days gone by. If you look around you will see a lot of familiar signs like Leavitts Department Store and Sundial Shoe. If you look in back of the soda shop in the back you will see a sign for Cote's. There are so many memories of Manchester and I think that it is appropriate that we meet here today for two reasons. Number one, we are going to talk about an issue that has been on the minds of a lot of us and the citizens of Manchester for a long time and that is school improvement but it also calls attention to a great resource in the community. It is in that spirit that I would like to introduce at this time Gail Nessell Colglazier who is going to welcome you to this beautiful museum, tell you a little bit about it and also urge the citizens who may be tuning in on MCTV to come and visit this beautiful historic place in the Mills. Thank you Gail for welcoming us to this beautiful edifice here in Manchester.

Ms. Nessell Colglazier stated thank you very much for the kind greetings and welcome to all of our guests this evening. I was very, very pleased to get the call from the Mayor's Office saying that he wanted to have a meeting on Elm Street. This is something new for us having a meeting on Elm Street and I trust that it is something new for all of you as well and it may be the only time that this group meets on Elm Street in Manchester, although perhaps we could convince the Traffic and Highway Department to shut down the real one for your next meeting. Probably not but anyway welcome. I know that some

of you have been here before for different events or have just come in to visit. For those of you who have not, welcome for the first time. I certainly hope it will be the first of many visits for all of you and to encourage you in your visiting efforts in the little packet of handouts there are a couple of complimentary passes so come back and bring a friend or a family member or hand the pass to a friend or a colleague at work. We also included some literature and our latest calendar of events so you will know what is going on here. If you are scratching your head and wondering why you have not been here before, it is because we haven't been here too long. We only opened last April. It was the highlight of a five-year plan to get this museum opened down here where we can tell the history of this great City for residents and for visitors alike. The history of the City obviously is tied in very closely to the history of the Mills, which is why we are here in the Millyard. We are glad to be telling the story and we are certainly glad to be participating in the revitalizing of the Millyard and the downtown area. That is my plug. Again, welcome to all of you and feel free to wander after the meeting or take your passes and come back at any time. Thank you.

Mayor Baines stated I do hope you take the time to wander around after the meeting. This museum goes all the way around the back and all the way down the side and you can learn a lot about the history of the City, especially the role that the mills and the mill workers played in the development of this great City. The purpose of tonight's meeting is to discuss the school's Capital Improvement Program and I would like to begin with some brief remarks. I want to thank both Boards for their presence here this evening in the Millyard Museum tonight and I want to thank the Historic Association for allowing us to use this space and Leo for making all of the arrangements with the City Clerk's Office. We are not meeting in this room by accident for I regard what will be discussed here tonight to be truly historic in nature and perhaps worthy of being memorialized one day on these walls. Today we take another step to make a community commitment to put aside years of neglect of our school facilities and distrust amongst both Boards responsible for securing this City's educational future. In some ways it is a step back to a time when our school facilities were worthy not only of those who teach and learn in them, but worthy also of the hopes and aspirations of those who once worked in this building and the hopes and aspirations that they had for their children. A good education in clean and modern facilities was the foundation of those dreams. All of us believe, I believe, ran on a platform that included a promise to fix our schools. The plan that will be presented tonight will allow us to fulfill the pledges we made when we were knocking on doors this summer and fall. The plan will allow us to keep the unspoken promise that one generation makes to another, namely the promise to provide a little more for those who will follow us as leaders in Manchester. I never tire of saying it. Our parents and grandparents worked in often oppressive conditions in these buildings as a down payment on our future and in comparatively easier times we have an obligation to leave our children a similar legacy. The plan that you will hear about in a few minutes is historic for another reason. The design built concept that will be described is, as Alderman

O'Neil was quoted in the paper as saying today, "a little bit cutting edge." Mr. Clougherty our Finance Director will explain in detail the advantages that can be realized through the implementation of a design build approach, an approach that has saved municipalities millions in recent years and I want to commend Kevin Clougherty for bringing this concept forward for consideration and deliberation. Before Kevin and Frank Thomas take over the presentation, I want to review some of the highlights of the improvements being proposed. First of all, schools in Manchester will be renovated according to the suggestions made in the Parsons-Brinckerhoff study and additions will be made under this proposal at Central, Hillside, Southside, West and Memorial and possibly the Manchester School of Technology. All of Manchester's schools and all of Manchester's students will benefit from a proposal that we announced in September and Manchester's taxpayers will benefit from the design build plan that is the subject of tonight's meeting. As all of you have followed the process thus far know, getting to this point has been a series of small steps. Today and from this point on the steps get bigger but the stakes get larger as another class of students face an educational future in inadequate facilities that cannot and will not be allowed to continue. Working together and upon the advice and expertise of people like Kevin and Frank, we will be able to keep the promise of a better educational future that our parents and grandparents kept for us. Ladies and gentlemen, this is really an historic moment. We are going to have the opportunity to roll up our sleeves and do the job that needs to be done. No longer will we be reacting from crisis to crisis in our schools. Instead, we will follow a well-designed plan for the future of our schools and we will stay the course until the job is done. That is a commitment that has to be made. The stakes are very, very high and all of us need to fill that promise that we made to the children and to the taxpayers of our great City. I would now like to turn over the podium to Kevin Clougherty who will outline the concepts that we are talking about this evening and he will be followed by Frank Thomas. I would ask you to hold all questions until the presentation is entirely completed. Thank you.

Mr. Clougherty stated I appreciate the opportunity to discuss the subject of school improvements with the Board tonight. I thought it was important to maybe just put in context some of the things that have happened in the past and some of the history of school funding. For a long time we have not had a plan for school improvements. We have had a lot of generalities and the generalities have been both in the form of comments like things are too old or too cold or not enough and those have never really been translated into an action plan that can be discussed from a financial standpoint that has any credibility on the markets. To a large extent it has been a very frustrating several years because while people continually ask us well how much money do we have, it depends on how you use the dollars and how you program. It has been frustrating for everyone. I think the Parsons study that came out in December of 2000 was a major step forward because although it wasn't considered a financial plan by credit rating standards it did itemize all of the different projects that had to be done and assigned some costs to

them and categorized things and I think helped to define parameters in terms of what schools need to have in terms of attention to continue to be the types of buildings and facilities that we all want. Parsons-Brinckerhoff is dated. It is well over a year now since some of that data was gathered for that study and although it was useful it is starting to get to that point where a lot of our studies are. There is such a lapse in time that they are not practical anymore. This fall and spring the Mayor had asked us if we would work with him to define resources available for an eight year plan and we did that. We said based on conservative assumptions of interest rates and based on conservative assumptions of what we would expect to see in terms of valuation we gave the Mayor an itemized list of the resources in terms of debt and bonding capacity that could be used to deal with all of the City's projects, not just the schools but a whole array of projects. At that point, he sat down with the other staff like Planning and Highway and started to take a look at how he would like to see those dollars spent. Again, that was several months ago. It has been frustrating for us because we think that now there is an opportunity in Finance and although it is not something that is our expertise, we really feel that we should bring it forward so we have a current opportunity here that I think is unique and I would like to talk about that in the next slide. This is the best of times and worst of times in some respects. We have a recession and as a result of that recession it presents some unique opportunities to the City that we think are important to capitalize on. New Hampshire and Manchester tend to lag in economic recessions and growth. Consequently, while the recession has been with us for a while and you might think that there would be some pull back as a result of the recession last summer we are really starting to see some of that happening now. As we talked to contractors and others what we are finding is that a lot of the companies that were scheduling expansions of their plants and scheduling construction projects on the private side are starting to pull those back now. Consequently, some of the contractors and architects and engineers are starting to feel a little bit of a need to maybe start programming and sharpening their pencils for the first time in a number of years. We are also seeing the Big Dig start to wind down. For a long time that has been something where people in the region have been able to tap into and now that is starting to in some respects come to conclusion. So, we are starting to see some changes in the economics of the region and particularly in New Hampshire that present us with something that we think is an opportunity. Senate Bill 2 for those of you who aren't familiar with it, it was Legislation that was passed a couple of years ago and what it did was it changed the vote that needed to be taken in order to authorize bond issues in towns. Where it used to take a 2/3 vote now it took less than that to approve a bond issue. A number of years ago there were a series of Senate bills to authorize votes in town meetings and towns went out and authorized at the lower votes a lot of capital projects. As soon as that happened, some of the tax groups in those towns immediately took the Senate Bill 2 concept to court and it has been in court since and so those capital projects have been languishing and haven't been able to get undertaken, which is again I think a source of concern for some of the people in buildings and trades because if those projects aren't able to get moved forward again we are

starting to see a pull back in the area of construction. My understanding is that the Senate Bill 2 case was heard in Federal Superior Court earlier this week. It is unlikely that there will be a decision this week and even if there is a decision there is still a cloud that it may get appealed to the Supreme Court. So there is some uncertainty with respect to a lot of these major capital projects that were authorized as SB2 types of projects. Further complicating that, a lot of those votes on those bonds for projects are now a couple of years old so the project that was approved a couple of years ago at \$20 or \$30 million now is maybe a bigger project or is not the exact project and they made need additional authorization. It is not an uncomplicated situation that some of the towns find themselves in. When you have that situation and it is part of the business cycle that the City follows, you start to see some opportunities where you might be able to capitalize on that environment. The last time we saw something like this, we were able to go in and as many of you recall we were able to get the Waste Water Treatment Plant completed at substantially less than what had been forecast as the cost. I think we are in that window of opportunity to be able to expedite some projects and take advantage of some relatively sharp pencils that might be out there because of all of these other factors. We also are in a tremendously low interest rate environment so the combination of those factors may put us in a position to come out with more for our money, both in terms of the size of the project, how they are financed and a good bottom line. I think with all of the educational uncertainty at the State level, any time that a City comes out with a plan that is based on trying to take advantage of the economy, that is seen as a positive management step from a credit rating perspective. It is also seen as a very positive thing, I think, from the school accreditation process. There are a number of factors that are converging at this point in time that allows us a brief window to maybe capitalize and take advantage of some of the things that we haven't been able to do for a long time. In order to take advantage of that window we may have to collapse some things and make some decisions on a very concise time framework. One of the ways to do that is to use a concept known as design build finance. Design build finance is a relatively new concept and it is in its evolutionary stages but it has been tried in a number of school districts around the country. Houston, for example, has used it and they have had some fairly good results. One of the things that is unique about design build is that you apply a team approach with the architect, engineers and the contractors and rather than taking on a whole bunch of small projects with a whole series of different steps you try to pull them together and take a team approach and realize some economies of scale. There is also some accountability that is attributable to this process because you are able to get contractors to give you guaranteed prices and things of that nature that I will talk about in the next slide. The history of this design build really goes back to the California earthquake when they were in need of trying to get their infrastructure, particularly their roads and bridges up and they decided to engage the private sector and ask them to be creative in how they could get these projects done and expedited. What they found is by allowing the private sector to team up and come in with innovative approaches they are able to get a lot more done a lot faster and that helped to get their economy back in shape. Right down the road in

Massachusetts there is a project that has been done on Route 3, which is a design build finance. Massachusetts has taken that corridor really from where Route 3 starts right up to the New Hampshire border and done a design build finance concept. What they did is they said to the team of contractors you can own this road for a period of time. The contractors entered into a partnership for that road and they are able to do some things with conduit and use of the road that the government wasn't able to. As a result, the cost of the operations of that highway have gone down and those savings get passed along to the State. The civic center, to some extent, was design build in that some of the features of design build were incorporated but it wasn't a pure design build approach. A lot of the energy projects that the City has undertaken in the schools are design build and have been very successful because you allow the companies to come in and exercise their expertise and their financial wherewithal to help share with the City some savings. There are some examples certainly in New England where this concept has worked, albeit perhaps a little bit on the cutting edge. The critical element of a design build finance approach...the contractor is responsible for design and construction so you have some accountability and you have somebody on the line that is responsible for bringing in and finishing a project. Some of the projects that we have done in the past, as you know, end up in a finger pointing arrangement where the architect is not responsible for a problem and it is a contractor and this approach, it is a team approach and they are all signing on at the start and they all have to risk some of their resources so they are not guaranteed a percentage. It is a different approach that really makes them come up to the table and put something at stake. It requires a well defined RFP and RFQ just as in the major projects that we have done with the Airport and with the civic center you may need some help, some professional consultants to help design some of those but in the long run you are better off. You put out a well defined RFP and RFQ and you make sure that the people responding have the wherewithal to safeguard the City and you also are looking to get a guaranteed price not to exceed for all of these projects that you are going to include and you build in time and cost incentives and penalties. If you can deliver the project on time and on budget then there is going to be an incentive. If you are not, there is going to be a penalty and then you set-up some escrow arrangements so the City is assured that it is going to be able to reap those savings. You have to have a well-defined project with uniform design standards and the expertise to review and design and oversee construction. I think we are along the way here. Where other cities and towns are behind the curve on this I think the Parsons study gets us well along the curve and I think that we have been doing a lot of work at highway and Tim and Frank have really flushed that out and we are in a position where with a little bit of assistance in developing an RFQ and RFP we could go forward and enjoy some of the savings that the economy and this approach may yield. I will say that the City's Bond Council has had experience because they were part of the team that did the Route 3 corridor from Massachusetts. Our financial advisor has seen these types of things in parts of the country so we are not starting at ground zero. We are able to take some of those documents that are already out there and not have to invest a lot of consultant dollars to start to get up to speed and get

an RFP and RFQ out. I think again there are some things that are happening here that make this something that we should be considering. I think the benefits of the approach are that there is accountability. There is one contractor that you are dealing with that is on the line for guaranteed price and has responsibilities and has at risk some capital and as a result you are going to get their full-time attention. Also by getting the size of the project to a level where it is attractive to them over a multi-year purpose it helps them with their cash flows and it has some attractiveness to it. There are also some Federal initiatives out there like the project in Massachusetts that may be something that they would advance because of their particular tax status that helps get the cost of these projects down and those savings can be passed along to the City as well. I think the biggest benefit is we get an adopted plan. Once and for all if you go through this process you have itemized and listed all of those projects that are critical and that have to be done regardless of whether Bedford does whatever it is going to do or Hooksett does whatever they are going to do. There is a core of projects that has to be done no matter what and identify those and move forward with them and I think Frank is going to talk about a creative way to deal with some options in that regard and this project gives us a plan to move forward, not only in terms of the schedule of when the project will get done, but a cash flow that we can then sit down and take a look at all of the other capital projects that we have to do and work around that. It also tells you once and for all how much you are going to get for your money. You can do a lot of feasibility studies but until you put it out to bid you don't really know what it is going to cost. This finally gets something concrete that we can get our hands around and bring something to the table that we haven't had before. Schedule, guaranteed maximum price and affordability for the future. Because you have that fixed cost I would expect that just by the nature of these projects it is going to get done faster. The private sector is going to do this group of projects as a project and do it faster than if we try to tackle all of these things as individual projects over a series of years. Again, they will do that so they can enjoy savings and we should be able to enjoy those as well. It also helps with the students. They get a product faster. The teachers get improvements to their facilities faster. It provides a predictable cash flow that the City can deal with. One of the problems we have always had is when is this project going to come on line, when are you going to need to do this, etc. Once and for all you have got a schedule that we can plan around and that brings some continuity and some certainty to the development of planning for projects on the City side because it does provide a basis for the CIP to move forward. Tonight I think maybe contrary to expectations the purpose of the meeting isn't to come to you and say here is the list of projects, here is how much we think they are going to cost and here is how you can finance them. What we are really saying today is there is a window of opportunity out there and we can take advantage of it if you wanted to try and do something innovative along these lines. There is going to have to be some discussion over the next short period of time to define the core projects that need to be moved forward in this regard. If the Boards want to make that commitment and move forward with that approach, we may have to do some things in terms of ordinances, which we will

talk about a little bit later but from our perspective on the world, we think that there is a unique economic opportunity that we can capitalize on and the way to do that is with a design build finance approach because it really collapses things and helps us to do things in a much faster time frame than if we went with a more conventional approach. It is going to need some input from all of the committees and some decisions are going to have to be made. Once you make this commitment to move forward on those core projects, you really have to stick with them but that is what planning is and that is what a plan does. It provides some continuity and certainty for investors, for students, for planners and for the City. I will now turn it over to Frank Thomas.

Mr. Thomas stated thank you. First of all, what is the Manchester School Improvements Project? It is a capital improvements program for the schools. It is based on the Parsons-Brinckerhoff study that was conducted, which was mentioned. It has been modified somewhat from what you have seen before, which I will be talking about tonight. That is based on input that we received from the staff at the School District. It is a work in progress. It is by no means finished. I don't think we are here tonight to tell you that this is the final plan. It is a work in progress. We on the staff side have a pretty well defined plan. We have a pretty good idea of what should be done at what facilities, etc., however we are not the final decision makers in the City, you people sitting out there are. It is a work in progress. However, even though it is a work in progress and what we are going to be presenting tonight is certainly not cast in stone, a final determination is going to have to be made in the very near future in order for us to proceed and catch this window of opportunity and allow us to be able to put together a request for proposals that is going to be tight enough so that we can take advantage of the design build concept without leaving open ends. It has to be a City plan. It can't be the Mayor's plan. It can't be the Board of Mayor and Aldermen's plan. It can't be the School District's plan. It has got to be a plan brought forward by all of the decision-makers in the City for it to work. The Manchester School Improvements Project addresses two areas of deficiencies. Deficiencies in existing facilities will be addressed by renovation. Deficiencies related to capacity will be addressed by additions. The cost is pretty much 50-50. It is going to cost about 50% of the total dollar to address renovations and it is going to be about 50% of the total cost to address capacity issues. Renovations to all schools will be in accordance with recommendations made by Parsons Brinckerhoff in their Phase I facility audit. You are going to hear a lot about this Parsons Brinckerhoff study. Quite frankly, it is the basis for all of our recommendations. It is more or less the Holy Grail that we are following. However, we are not locked into it. There is flexibility and there has been flexibility in what we will be presenting tonight. Renovations will include items such as HVA systems, electrical systems, flooring, roof systems, interior and exterior finishes...all of these renovations that are proposed and are incorporated in our proposal or the proposal that we are talking about tonight are detailed in that Phase I audit of Parsons Brinckerhoff. Now we do have summaries of all of these, but quite frankly in summary form it takes up 20 or 30 pages. This information will be available to you, the



decision-maker. Capacity related deficiencies will be addressed at all levels. We have been working very closely over the past few weeks with the staff of the School District trying to identify these issues. Still it has to be remembered that this is the one area in our proposal that is subject to change. We have tried to identify and address all potential capacity issues and we have made the proposal right now flexible enough so that we can add or we have the stuff in there to delete things out of it. Hopefully over the next 30 days we are going to be able to get a clearer understanding on what some of the surrounding communities are going to be doing or not doing and that is going to help us finalize the details of our proposal. Elementary schools. The plan addresses space needs in the center city elementary schools. This would be pre-school through grade 5. Middle schools. Additions and renovations will take place at Southside and Hillside. It is our hope to be able to eliminate the majority of the portables. At this time we are not going to say that all of them are going to be eliminated but I think that under this plan the majority of them will be eliminated and of course our firm intent would be to try and eliminate them all. There may be other things that have to be considered to balance off enrollments in some of the schools that are on the light side compared to some of the ones on the high side. High schools. This is the biggest iffy area. The plan presently includes additions to Central High School, West High School, Memorial High School and it includes the conversion of the Manchester School of Technology. However, again as I keep mentioning we still don't know...I don't think anybody in this room knows what is going to happen in the next 30 days with the abutting communities. We have built into the plan right now concepts to accommodate enrollment from the worst case scenario down. The asterisk next to some of these projects means quite frankly that some of those three projects may get deleted once we finally go out with our final RFP. Some of the projects might get scaled back. However, we want to maintain our flexibility up until that last minute. Even once we go out with this request for proposal, we are going to be looking for a lumpsum to do the big package, to do the majority of the work with a potentially not to exceed number. However, we can identify one particular project, say the West High School addition, and ask for a separate number. We call it a deductible alternate so you would get a large number for everything and the one project that still may be is up in the air for whatever reason we can put it in, request a price, tie it to the big package and allow it to be dropped off if by chance we don't have the funding or if by chance our position on that particular project changes. Those three projects are in flux now and hopefully will get ironed out over the next 30 days or so. Price tag. The project cost is between \$50 to \$70 million for what we have identified. There is a large range on this and quite frankly we wanted to put a large range on that. We are hoping for economy. A lot of things that Kevin mentioned, if they come to pass, we are going to be on the low side of that range. If not, we are going to be looking at the upper end. Hopefully that is not the case but if that is the case then we are going to have to make some hard decisions. I think we are all confident that we are moving forward at the proper time to take advantage of the economy that is out there and potentially some of these alternative funding scenarios that haven't been available to the City. Project

timeline. Presently, we are in scope definition. We have been working diligently with the staff at Highway, with the Mayor's Office, with the Finance Department and with School District staff to again try to focus and refine at least at the staff level what we are going for and what we are recommending. What are the projects for renovations? I think everybody is pretty much in agreement with those. I don't think there is a lot of discussion on those but there has been a lot of discussion on the addition projects. How do we address the additional enrollment scenarios and how do we keep our options open? There have been a lot of discussions. It has been a joint effort at the staff level to date. This is going to continue. You can see up here that we have a completion on scope definition near the end of March. As I mentioned, the work is going to be cut out for you people sitting in the audience here because we have to have a pretty clear understanding of what we are going to ask this design build contractor to build. What is he going to propose in his proposal? We have to have a clear scope of work in order for us to generate our request for proposals. One weak area of design build is that you don't have a long process that typically is used in say designing, bidding and bringing in a contractor or what we call construction management that was used on the civic center project where you have a lot of time and you can sit and negotiate and change scopes and change dollars and you don't arrive at a final dollar value until the very end. With design build, in order to take advantage of economy and in order to take advantage of the concept of putting one package together you have to have a clear definition of what you are going to be asking for. You have to clearly define design standard. You have to clearly define construction standards. All of that has to be in the RFP. If the RFP is weak, then the responses you are going to get back from the design build contractors are going to be weak. Again, I keep emphasizing that we have staff and you, the decision makers, are going to have to do a lot of work during a short period of time to try to focus in and agree on the scope of the project to allow us to work in putting together a good RFP. We are going to use our own staff and hopefully we are going to be able to draw off professional staff both in engineering, architectural, financial and legal areas so that what we finally ask for will be a good package. As we start developing the request for proposals, we will also be putting out in the street requests for qualifications. We want to start that process as quickly as possible. We want to start getting the word out to large contractors, contractors that have design build capabilities, large contractors that may want to partner up with an architectural engineering firm to be able to respond. We have to ask a lot of information. We have to ask their qualifications. We have to ask their financial abilities. We have to be comfortable at the staff level that whomever we give our request for proposals to is going to be capable of doing a good job for us. Hopefully, once we go through this request for qualification process we will have at least three firms that we are going to feel comfortable doing business with. That is our goal. As you can see, the end of May is the critical time. That is the time we are going to have three contractors selected and give them what we want them to propose on. We will give them until the middle of August for these design build contractors to put together these proposals. These proposals are going to be quite detailed. They are going to include preliminary

designs. They are going to include estimates or cost information. They are going to include scheduling. The Mayor when he originally proposed his capital plan, proposed it over an eight-year period. Quite frankly, we could get a large design build contractor that comes in and wants to perform \$65 or \$70 million worth of work in three or four years. Many contractors, the faster they can get the work done, the better their profit margins, etc. So, this is one way of fast tracking and facilitating the work in the schools and I think everybody would love to see all of this work done in the shortest period of time. That will be in the proposals that are submitted. The proposals, once they are submitted, are going to need a detailed review. We again look at the qualifications. We are going to look at the concepts, what they are proposing, their schedules, and their timeframes and then we are going to look at the money. So money is a factor. It is not going to be the deciding factor on who gets the job. We are going to have to evaluate a lot of the different things. If one of the contractors comes in with a creative financing package that makes the Finance Department go goo-goo, that may be something that we really have to consider. There is going to be a lot that goes into the evaluation of these proposals. We hope in the end that we will be able to enter into a contract with a design build contractor sometime in the fall or early winter so that that contractor can be up and running with hard construction right after the first of the year the following year. Now based on that schedule you are saying to yourself well what is going to happen and what are we going to do in the next budget for the schools? We are also proposing a typical one-year CIP improvement program for schools for FY03. Again, we have worked out a list of projects, which was part of what was approved by the School Board that totals about \$3.6 million. We are going ahead. Right now we have these projects under design so that we will be able to hopefully get early authorization in April/May and get \$3.6 million worth of construction out to address problems in the schools over this next construction season. Hopefully we will be going ahead with this project and this large project will be up and will be on the ground running as I mentioned right after the first of the year in 2003.

Mr. Clougherty stated in conclusion, if what you have heard this evening makes sense and it is something that we should proceed with understanding that it is going to require a lot of work and decision making in a compressed period of time over the next few months but has the potential to render some good results, there are some things that need to occur. The current procurement ordinance that we have in the City does not provide for design build so we are going to have to amend that. Part of the agenda tonight is an amendment to the procurement code that Frank and his staff and the Solicitor's Office have reviewed. I know that the agenda calls for a suspension of the rules and if the Board wants to approve that as a first step that is fine. If, on the other hand, you want to give it some more thought and send it to Committee that is okay too understanding that if we are going to proceed decisions will have to be made rather expeditiously in the near future. As Frank mentioned, if we are going to proceed with this there is going to be a commitment of resources. Some of our time, our Bond Council's time, the financial advisors time, some of Frank's consultants are going to have to start working on

developing some of these documents and contracts so that we can make them available for review as part of a solicitation for services. We will, to the extent that we can, make sure that those are out of the existing dollars but we may have to come to the Board for some limited help in that area. That is not unusual. We have done that in the past for the Verizon Wireless Arena and we had to spend some money up front for the Airport so that is not unusual. I think a lot of the expense involved in the preparation of documents has been done through Frank's office and the Parsons study already. As Frank mentioned, there is going to be a tremendous amount of pressure on both Boards to come to some decisions. There will be opportunities for input. I think there is a commitment on the part of the staff to work with you during this time and try and take advantage of the opportunities that we have. We think that we have a competitive edge. You go out with this process and the worst thing...say the economy come rushing back and all of the private sector construction comes forward and all of the schools come forward, we are no worse off because at least you have got finally some real numbers and some real time tables from contractors with guaranteed prices that you can rely on with some different levels so that we can plan around that and move forward with this dilemma that has been haunting the City for a considerable period of time. Mayor, that concludes the presentation. We would be happy to answer any questions.

Alderman Thibault asked, Kevin, how will this affect some of our other projects that we have been thinking of or talking about over the last couple of years such as the Elderly Center. I would like to know where that is at or where this is going to fall in at that point and the Library and some of the other projects that we have been talking about. I would like to know where we will end up and also our bond capacity. What is our bond capacity to be able to do to these projects?

Mr. Clougherty answered in terms of our debt capacity, as I mentioned when we made our presentation to the Mayor back in the spring we identified the bond resources that we have over a series of years here. What the credit rating agencies look at is do you know what you are doing, do you have a plan? Over a seven or eight year period, you may have \$80 million worth of capacity and if you go in and say for schools we are going to spend a lot of that up front and we are going to do it for reasons that make financial sense, i.e. we can get more done because the rates are low and we can take advantage of an economic environment to get more done, then they are going to see that as a management positive. What had happened is if you adopt the eight year plan and you did all of the schools and then you started adding more later on. That is when they are going to come down and hammer you. The discipline is going to be to stick to the plan over time. Now that is not to say that as we go forward and we made this point to the Mayor that the capacities that we built this project on and others are conservative. If there is some growth in terms of valuation you may develop some more capacity along the line. If there is some change in population or demographics, that may also get you some capacity and we will monitor those things as we are going along. There may be the

ability to do more, but I don't think there will be the ability to do less. As far as the other projects, the biggest obstacle and the hardest thing that I think Bob MacKenzie wrestles with all of the time in preparing the CIP is the uncertainty of costs for schools and how to get that done. If you can take that piece, which is significant, and quantify it in terms of dollars and time, his job gets a lot easier in terms of programming those other things that are important to the City other than schools such as the projects you mentioned. Now I think those two particular projects we have taken some steps to make some things available in the near future but there will be hard decisions that have to be made. There is no question about that. It is a matter of priorities. Bob, do you want to respond?

Mr. MacKenzie stated I would add...some of the out years I think there is a lot of work to be done. For FY03 I know the Board of Mayor and Aldermen has been working with some very specific projects that they are interested in like the senior center, the West Side Library, the Cohas Brook Fire Station, and the potential for eliminating renting departments by consolidating them into a human services facility. I know the Board has been very interested. It does not appear to me that this plan will affect the FY03 program. At this point it looks like we could proceed with those projects if the Board so chooses. The out years and other projects such as the Granite Street widening we are going to have to look carefully at to see how all of the pieces fit together. At the present time, the immediate projects that the Board has been looking at I do not see that this proposal will interfere with those.

Alderman Wihby stated if you look at the project timeline when we ask for RFQ's and then we evaluate the companies and get it down to three as we are hoping for, how are they qualified. Is it because they know the scope and that is why we can qualify them before they even see what we want? The RFP doesn't come out until after we have qualified people but how do we know to qualify somebody or how do they know what they are going to be doing? Is it because they have already seen the scope in March?

Mr. Thomas replied we will be defining in general terms in the request for qualifications and expressions of interest...what we are going to be looking for, it is not going to be detailed but what we are looking for and this is pretty typical on any large construction projects over \$100,000 where we have to pre-qualify the contractor. What we do in this prequalification phase in this particular case we are going to be looking at has the contractor had previous experience doing design build projects? Has the contractor had previous experience doing school type projects? Has he been successful? Have there been any problems? What is his financial background? Those are the type of things we are looking for in order to pre-qualify a contractor – past history, financial capabilities, etc. and then we can get a short list hopefully down to three firms that we feel can do the work.

Mr. Clougherty stated if I could just add to that, Alderman, it is not just going to be the contractor. He is going to come forward with a team. He may have an underwriter in there. He may have someone who will give him advice on the best way to finance this project over a couple of years. He may have engineering and architects in there. It is going to be the same deliberative process, not unlike what we went through with the arena and the airport where they are going to have to come in and by teaming up nobody is going to want to have somebody who is a weak link in their team so it helps to raise the bar in terms of who has come in. You are going to have to do all of the due diligence that is normally required on any of those professional services and we will have to engage all of our resources to do that.

Alderman Wihby asked so it is the normal process to have an RFQ and the companies evaluated before an RFP is issued. That is normal?

Mr. Thomas answered yes it is. As I mentioned, the procurement code as it is written right now states that any construction project over \$100,000 you have to prequalify the contractor. The revised drafted procurement code raises those limits. That procurement code is presently under review, however, as noted we have proposed an ordinance revision to allow it to go ahead right now.

Alderman Wihby asked in reference to that new ordinance, is the \$50 million to \$75 million range because we don't know what is going to happen with Bedford, etc. Does the \$75 million mean that if we go ahead and build another school that is the number and if we don't do that and Bedford moves out then it is \$50 million?

Mr. Thomas answered we don't like to get into specifics as far as what we feel the potential cost of this project is going to be in a public forum. Obviously we want to go through this process and get the cheapest price possible, however, we do have a pretty good idea of what kind of ranges we would be taking about but to discuss those in detail I think we would want to go into executive session. To answer your question, the high side of the estimate would be to address everything that was presented here tonight.

Alderman Wihby asked in other words the high side is based on the most students that we would ever have here.

Mr. Thomas answered the most students and even with that scenario one of the proposals is still iffy whether you need to do it, one of the additions that we proposed.

Alderman Wihby stated Item B says "three qualified contractors if available" so that does really mean anything right. If they are not available then we don't have to have three.

Mr. Thomas replied right. The procurement code doesn't want to limit competition whether it is selection for professional services or for a design build like this. Three is a manageable number. Quite frankly, the contractor that puts together this proposal is going to be spending a substantial amount of money because they are actually putting together a preliminary design in a lot of areas. We want enough so that we get a good response that can be competitive that we can negotiate with a couple of different contractors but we don't want to have so many that we are asking half a dozen design build contractors to spend hundreds of thousands of dollars to put these proposals together.

Alderman Wihby asked so this proposal would just be for this project.

Mr. Thomas answered the ordinance that is drafted is specific for this project.

Alderman Wihby asked who is going to decide when it gets down to three or you get down to one. Where does the recommendation go and what happens with all of that?

Mr. Thomas answered first of all we are going to have a team that evaluates these proposals. The team will be made up of Highway, Finance, School District personnel and if necessary we will bring in others to advise us. City staff will then make a determination as to what is the best proposal both from a financial value and a constructability value. That recommendation then comes back to you people.

Alderman Wihby asked so the recommendation is going to come from the team and then the team comes back to the Aldermen but you are going to have input from the schools.

Mr. Thomas answered yes.

Alderman Wihby asked when you do the budget I guess we are not going to know until August what the final number is or what a number is. Can we decide that we only want to do some of that because it is too high and what do we do with this year's budget that is due and the Mayor is working on now.

Mayor Baines replied we already addressed that. We are proceeding with this year's budget within the same guidelines we have always proceeded and the second part I will let Kevin respond to.

Mr. Clougherty stated the CIP has a six-year plan. The first year is the appropriation and as Frank said we are looking at just doing the FY03 separate and this would be going forward. We would really come in probably in the summer and review all of this information with the two Boards and if we get the results we hope then in September you would amend the CIP, authorize the bonds and the projects would go ahead.

Alderman Wihby asked so when we do the budget this won't be in it and then we could amend it after we decide on what items we want to do. We don't have to do the whole thing?

Mr. Clougherty answered once you have it out and you give them the core, you are really locked into that core. As Frank said you have an opportunity to put in some alternates but the key is you have to be sure of the core of projects that you want to do.

Alderman Wihby asked what happens if it comes back at \$100 million and you decide you don't want to do it all in eight years but you want to do it over ten years or you want to drop some projects. You don't have that flexibility after you decide?

Mr. Thomas answered we do have some flexibility, however, I think if it comes in at \$100 million we would have to sit down with the contractor and decide first of all if it is cost effective. We may, at that time, have to advise you that it is not cost effective to move ahead for whatever reason and to abandon this proposal all together.

Alderman Wihby asked is that possible.

Mr. Thomas answered yes. You are not locked into something until you sign the contract. I think what Kevin was saying is we are going to put together a core group of projects for renovations, the majority of the school addition projects. Once that is in the package, you are going to get one number. That number is pretty much locked in. If it comes in so high that you are going to abandon the project, you may be able to negotiate with the contractor, however, that is a set number and locked in. You don't have any flexibility unless it is a deductible.

Alderman Wihby stated what I was getting at is once we go forward with this if it is not something that we want we can stop it from happening.

Mr. Thomas replied that is correct, you don't sign the contract.

Mr. Clougherty stated the beauty is you have a number.

Mayor Baines stated at least we will have identified the cost of what we need to do so that is the advantage. Out of respect to our host, we are going to have a five-minute recess. They have prepared a lot of goodies for you and they want to show you some hospitality so we are going to take a five-minute recess.

Mayor Baines called the meeting back to order.



Alderman Shea asked what is the contribution that the taxpayers would have to make or the City.

Mr. Clougherty answered the funding primarily that we have looked at for these are your traditional CIP projects. It is bonds, your SCIP dollars, which are raised through taxes and certainly any grant programs or Federal initiatives that become available over the period we would strive and encourage these teams to consider. Anything that they would bring to the table to help the City get a quality project is certainly something we would want them to take a look at.

Mayor Baines asked Mr. Clougherty to explain the School Building Aid process and what that would mean in actual dollars.

Mr. Clougherty answered Bob MacKenzie can probably address this better than I can but the School Building Aid process is a reimbursement and after you have the project completed then you can go forward and ask the State to participate in the contribution for the debt service and that helps to reduce the City's cost. That is something we are doing on our conventional projects, so doing this approach would not be any different going forward. It is not new money that would come to the table. It is dollars that we would be planning on anyway.

Mayor Baines asked Mr. MacKenzie to go into a little more detail on that to eliminate the concerns on that question.

Mr. MacKenzie answered there are actually two or three different type of funding sources. The one we normally deal with is say for a school addition or other improvements. We would get 30% of the principle back and that is paid on an annual basis as the City pays it. We could get more if it is more of a cooperative school district and I think that Finance and School Administration has been looking at that up to a maximum, I believe, of 55%. Also, there is a special program for kindergarten additions and there are kindergarten additions in the plan. That is upwards of 75% reimbursement. That is the largest available. So there are those different levels available and those would be included ultimately in the financing plan.

Alderman Shea asked in terms of the contracts with the outlying districts, if they were to sign on with us, what impact would that have in terms of capital improvement.

Mr. MacKenzie answered that could have a very major impact. I would probably turn that over to Ron Chapman.

Mayor Baines stated also Mr. Cook is here who has been authorized by the School Board to do the negotiations and I don't know if he would want to offer any comments but we will start with Mr. Chapman.

Mr. Chapman stated we are currently in negotiations with the towns of Hooksett, Candia, Auburn, Deerfield and Bedford with regards to setting up a joint maintenance agreement type document. If everybody signed on, it would give us approximately 55% we believe if the document qualifies and we are waiting for the State to give us that information. At that point, on any major projects whether they be renovations and/or new additions, we would be able to qualify for possibly the 55%. All of the contract discussions we have had with people so far, just to be conservative, we are planning on the 30% minimum and have given people that number to work with.

Alderman Shea asked does that mean that if Bedford decides to build their own school but Deerfield, Candia and Hooksett remained you would still get that percentage.

Mr. Chapman answered we would end up I believe with 50%. I believe it is four or more districts or five or more districts and as they drop out we would lose percentage points.

Alderman Lopez stated I want to go back to Bob MacKenzie and ask him...I know we are going into FY03 and talking about projects that a lot of the Aldermen are interested in. One mentioned the senior center. At what point would you think decisions would have to be made for those projects in order to coincide with the project timeline here or the \$250,000 that the Finance Committee will look at that was transferred from McLaughlin School? What kind of commitment do we have for the other projects that Kevin mentioned? I am not too sure what that means. After we commit to the total cost of this project will we then look at those other projects or what? Could you explain that just a little bit better?

Mr. MacKenzie replied we are proceeding...the Mayor is working on his capital budget and that budget will come out sometime in March. He will present that to the Board and to the School Board to. That will include projects for the FY03 process. The School District has been working with the Highway Department in identifying those projects that we can start this summer and that is the roughly \$3.6 million of school projects that they would start. Presumably that would be in the Mayor's proposal then in addition to that if we have roughly \$10 million in bonding capacity this year, we may have to address some of those basic other community needs that we would have to get done because the following year, FY04, is when we would be looking at some major expenses for this particular school program. The projects that we really have to get done and we have been working on for a couple of years now – the FY03 budget would be the best time slot to put those projects into. It would be ideal if the Board, once receiving the Mayor's proposal, would consider it for roughly a month, hold a hearing and hopefully act on it

sometime in mid to late April. That will give time for the expedited school projects and some of the other projects like the fire station to get going with potentially construction this year.

Alderman Lopez asked Kevin if we get into the bonding aspect for whatever the number is, let's say it is \$50 million and then down the road there is an incentive from the Federal government, is that money that comes in from the Federal government put towards the bonding aspect or is it extra money that we can use.

Mr. Clougherty answered it would depend on what the initiative from the Federal government would be.

Alderman Lopez replied I realize that. My question is let's say we bond something and we find somewhere down the line that we are going to get \$1 million from someone else. Now we have already bonded the project. Does that \$1 million that we get contribute to the bonding or is that \$1 million that we can use because we did the project for the schools?

Mr. Clougherty responded usually the Federal government doesn't give you money to retire debt on projects that you already authorized. I would expect that under most circumstances that Federal money comes available to do other projects.

Alderman Lopez asked can you take the \$1 million out of that bonding aspect to do something else because the Federal government gave you \$1 million for the schools.

Mr. Clougherty answered you are getting pretty fancy at that point, Alderman. I think once you have committed to these projects and identified bonding as a source, I think you are committed down that path and certainly as you know with the projects that we do in the City now if there are things that become available in balances or if there are the Federal dollars that come in we look at how we can take that resource, whether it is a Federal or State grant and try to use it to our best capacity. Usually, the Federal government does not allow you to use their resources to buy down your debt.

Alderman Lopez asked are we going to be making an ordinance just for this design build project or are we going to make an ordinance where we can do other projects as design build like Alderman Gatsas has been asking for for three years. Are we doing it just for this project?

Mr. Clougherty answered it is strictly for this project but I will let Frank answer that.

Mr. Thomas stated the ordinance that is in front of you tonight is just for this project specifically. The entire procurement code has been redrafted after long last and has been

submitted to the City Solicitor's Office for review. However, even in our proposed revised procurement code we are not recommending Carte blanche to use all of these non-standard procurement processes. We are still recommending that each department justify on a case-by-case basis to the Mayor's Office to allow us to go ahead with say construction management, design build and what not. So there is a revised procurement code that will apply to everybody that is under review by the City Solicitor's Office, however, this particular amendment is project specific.

Alderman Lopez stated my last question is for Tom Clark. You have always been an advocate that if this Board makes a decision another Board can change it and each meeting is its own power so to speak. Have you reviewed this project and if we make decisions and a new Board takes over or a new Mayor takes over can they change everything we have done in this particular instance.

Solicitor Clark replied I have worked with the Highway Department and the Finance Department and I have met with some of the school officials on the project. You can amend the ordinance. The way the timeline is envisioned, it will be coming back to this Board in the fall with a proposed contract. Once that is adopted by the Board a future Board couldn't change a contract. Once you are obligated to a contract, you are obligated to a contract.

Alderman Forest stated I have a request and then a comment. You are speaking about this Brinkerhoff study and for those of us like myself who are a new kid on the block, I haven't seen this study. Would it be possible for us new people to get a copy of it?

Mayor Baines replied yes.

Alderman Forest asked, Frank, you mentioned when we got to this RFP generation that you were talking about getting contractors who would get the contracts done with speed. I was just wondering if there is something as far as setting up a contract that the Boards with qualifications for these contractors. I know that I read the newspaper last winter about some of the horror stories about public buildings throughout New England that were collapsing and I was just wondering if there was anything we could put in the contract about responsible contractors when we put this out.

Mr. Thomas answered I think that is why we go through a separate phase all together, this request for qualification phase. Instead of just asking any contractor to submit proposals, we are going to scrutinize contractors that are interested in wanting to do the work so that we are 100% sure on the staff side that as I mentioned they are experienced with similar types of projects, that they have the financial capabilities, that they have the depth or the team that they put together has the depth that is going to satisfy us. Once we narrow that

down to that select two or three and we give them our request for proposals, we are going to be comfortable that we are not going to wind up with a horror show down the road.

Alderman Forest stated you know as well as I do that we have had some horror stories with public buildings in this City and then the contractors are gone and we can never find them.

Mr. Thomas replied that is why I think this prequalification process, especially with a project of this magnitude, is essential. Again, it is not going to be just one department or one agency, but it is going to be all of the resources of the City reviewing their qualifications.

Alderman O'Neil stated I want to congratulate you, Mayor, and the City staff for bringing this concept forward. I am a student of several things in life as I am aging here and two of them are government and construction and you can maybe throw sports into that but the concept of design build finance is now allowed under legislation in 32 states. Thirty-two states are now using it for transportation and infrastructure projects. Kevin mentioned Route 3 and I know a little bit about it, what I have read, and if I could just share it with my colleagues here both on the Board of School Committee and the Board of Aldermen, it is approximately 22 miles, 42 bridges and originally under the Mass Highway plan it was to be reconstructed over 12 years with 6 design phases and 6 construction phases at an estimate of anywhere between \$600 and \$650 million. The legislature in Massachusetts allowed Mass Highway to go out and do the concept of design build finance with the same 22 miles and the same 42 bridges. They have a guaranteed maximum price of \$385 million and it will be done in 40 months. That is a savings to the commonwealth of Massachusetts depending on which number you take of \$215 to \$265 million. We need to keep in mind that there is efficiency in design and construction if you are doing it all at once and not breaking it into a number of phases and in construction anyway, which I know a little bit about, time is money. Lawrence, MA I know currently is out on \$150 million treatment facility design build finance. In just speaking of design build, I read recently about the Raymond School District constructing a new elementary and middle school under the design build concept. Normally construction prices per square foot would be anywhere around \$100 or \$110 and I find this hard to believe but they were quoted a price of \$65 per square foot. There certainly is an opportunity to get a bang for our buck here. As I think Frank said earlier this is not a fix all for all of our projects. We will probably still build fire stations the conventional way or other projects, but certainly this gives us a great opportunity to address our school facilities in a short time.

School Committee Member Beaudry asked, Frank, the contractor that is finally chosen for this project, am I assuming correctly that he would be the person that takes the full construction of all of the projects, the \$50 to \$75 million and would that contractor have

to be bonded for the full amount of the full project and what type of cost is built in for inflation. Say the cost of construction increases or doubles over the course of the three or four years that we are looking to do this, do they have an inflation factor built in to their cost and what happens if their cost exceeds the inflation factor that they put into the bid?

Mr. Thomas replied first of all it would be a fixed cost. The price that we receive in August will be a fixed cost through the duration of the project so there will not be any escalation due to cost of living adjustments or cost of materials, etc. It is a fixed maximum not to exceed cost. They are going to have to build that into their proposal as they are developing it. If they feel that their project is going to be over a four-year period and the average CPI over that period is going to be 3%, they may have to build it in. One of the reasons why it is cost effective to go with design build is you are allowing the contractor to go at the rate that he wants. The faster he can do it the better off he is to eliminate some of those costs of inflation. It will be one contractor. One contractor will be responsible for all of the phases that have been identified, whether they are a renovation or school addition project. We have one contract with one entity. That one entity, that contractor, is going to be responsible for everything. He may subcontract out some of the work to various groups, but he is the one that is on the hook to us and he is the one who is legally bound with us. Bonding. Full performance bonds would have to be placed as part of the proposal by that one contractor for the full amount so if it is \$60 million he would have to put up a performance bond and all of the other required bonds and insurance's as part of the package. We are dealing with one contractor, one entity and one price.

School Committee Member Beaudry responded with that said, if the contractor goes out and hires subcontractors would the City have any recapture plans where if he hires a subcontractor for less money, I would assume then that the contractor would get the excess earnings and the City would have no recapture plan at all but it would be a fixed dollar amount.

Mr. Thomas replied that is correct. We are getting the guaranteed maximum price but again it would be up to him to try to get it done for the best price, however, he is still going to have to meet our performance standards so he is not going to be able to short change us just through that shopping around process. On the other side of the coin, we are protected from inflation or the economy picking up, etc.

School Committee Member Gross stated first of all I am really thrilled that both Boards are here and the department heads are here and we are talking about moving forward with the schools. It really gives me confidence when I see department heads framing this project in the same light as the civic center and the airport, which are definitely two jewels of the City. In fast tracking and making this one large project, hopefully the schools will become the third jewel. My question is for Kevin and it is a technical

question. I want to know when it comes to bonding, one of the things we are going to have to think about also is after we add additions to the schools we are going to have to furnish them and we are also going to have to maybe come up with costs for temporary disruptions because this is a major project over a period of years. Can those costs be bonded? Can we have a bond that also includes our ability because we have a problem now with those kind of expenses?

Mr. Clougherty replied certainly those are eligible costs for bonding. What we would be looking for is input from the contracting team as to how they would address those items in the most efficient way.

Mayor Baines stated we had a conversation the other day about looking at including those costs. Again, those are things that are going to be finalized over the next few weeks.

Mr. Thomas stated that is a very important area. A simple example is if you build a road and you have it all torn up you still have to maintain traffic in most cases unless you shut down the whole road. The same is true when you are doing work on schools. Keep in mind that a lot of these projects can be done with a minimal amount of interference to the normal workday in the schools. Again, that will be something that we will be sitting down with the School District to see what limits we can define so that we can have the contractor respond back. Obviously with a project of this magnitude there are going to have to be some inconveniences that we are going to have to work around.

School Committee Member Gross stated if we complete this project and everyone gets behind it, it will definitely be something that the citizens of Manchester will be very proud of. It is just great that we are now addressing the schools and working seriously towards making our schools the extra jewel in our City and I hope that the Aldermen support the Mayor's proposal and the way you guys have fast tracked it I think is great.

School Committee Member Ouellette stated I too echo the sentiments of my colleague from Ward 6. It is nice to see that everybody is behind this project and I want to thank Kevin and Frank for the work they have done on this proposal. It is very interesting. Kevin, my question for you is I was interested in Senate Bill 2 a little bit. In terms of the Bedford proposal, now if it should pass between the 66% and 60% that they need, would that project for their high school be on hold waiting for the appeal of the process. Would their situation be on hold pretty much indefinitely or would they be able to proceed?

Mr. Clougherty replied my understanding from talking to the Bond Council that represents a lot of the towns is that there is a lot of uncertainty in terms of this issue about how projects are going to get approved in the series of town meetings. Just the timing of having those projects suspended and being in court does create a lot of uncertainty. As I said, the expectation is it may not be resolved because even if the Federal court says one

way or the other what is the right vote, you may have one group or the other appealing. It just may not get resolved and those things may be left in limbo for awhile. It is a difficult time for the towns. I sit on the Bond Bank for the State that does a lot of financing and it is hard to get a clean opinion to allow some of these projects to move forward.

School Committee Member Ouellette asked if the bond fails or it passes by more than 66% it is pretty much a mute point and it wouldn't be appealable. Is that correct?

Mr. Clougherty answered I am not a lawyer so I can't answer that. Right now it is not clear what the vote you need to take is going to be based on the voting population to get this thing approved. There is some uncertainty there. If you approve it at the lower level, again depending on how the court rules that may or may not be enough. If you approve it at the higher level it is through anyway.

School Committee Member Ouellette stated obviously my concern is with the timeline because we have to move forward very quickly and if we move forward with this they will know that they either have to get on board or jump ship. One way or the other they are going to have to make a decision.

Mr. Clougherty replied this certainly does force some issues.

School Committee Member Ouellette stated my next question is for Frank and it is concerning the portable issue across the City. Obviously, we are bonding this amount of money and my concern and anyone around the table knows about my dealings with the portables in my ward. Alderman Thibault and I have worked very hard to make sure that the portables that are very old and decrepit either get removed or replaced. Is this going to address the issue of portables in our City?

Mr. Thomas replied as I mentioned during the presentation, it is our intent to try to get rid of all portables, however, in addition to what we are proposing here the School District may have to take a look at each and every facility. Some facilities are under utilized now and some are over. There may be a need to do some redistricting. Again, it is our intent to eliminate as many as we can but I can't sit here in front of you because we have had this discussion, Ron and I...we would have loved to come here tonight and say this plan is going to eliminate all of the portables and we were very uncomfortable in stepping up here and saying that. It is going to be our intent to do everything possible to do that, but there may be one school here or another school there that may have portables after we are finished but hopefully for a short period of time.

Alderman Gatsas stated Frank I would like to commend you on the procurement code that I have been waiting for for three years. We will amend this one probably but hopefully we will have the final version so that the City can continue saving money in



other aspects of procurement. Kevin, maybe you can help me with this. What was the total bonding that the City entered into this year?

Mr. Clougherty replied the new public improvement bonds that we issued in November were for \$23 million and that was the aggregate over the last two fiscal years. It is about \$10 million a year.

Alderman Gatsas asked what is the bonding capacity that we will be enjoying once we hit the year that ends the conversion.

Mr. Clougherty answered bonding capacity should be zero and let me explain. When the City entered into the fiscal year conversion, it did that for 12 years with the idea that once you were through that 12-year period you would not use those dollars that you are currently using to retire debt to continue to retire debt. You would instead use those dollars to do things on a pay as you go basis so that you wouldn't be bonding things like fire trucks and what have you but you would be able to pay for them in cash. The list of resources that we gave to the Mayor included \$6 million a year starting in FY06 that would be available as the result of our having completed our payments over the last 12 years for the fiscal year conversion. It would not be our recommendation that you use that \$6 million to leverage additional debt. I think if you did that you would be putting your credit rating at risk and I don't think that is something that would be looked favorably upon by the investors or credit rating world.

Mayor Baines stated if I can just clarify that is money that we would take to start paying for things that we bond now, such as vehicles. We could actually start paying cash, which would free up additional money for bonding. Am I correct on that?

Alderman Gatsas stated can I ask the questions here because I am not looking for what the repayment of the principle is because we all understand that. That payment stops and we can make that payment towards cash product. I understand that. My question is what does it increase our bonding capacity by? Not the payment of principle back because I understand that function. Obviously there is an additional \$6 million in bonding capacity and that happens in FY06.

Mr. Clougherty responded right but as I mentioned when we are looking at our ratios and when the credit rating people are looking at our ratios, they are looking outside of what is considered our capital improvement program. They are not expecting you to take that \$6 million and leverage it by issuing more debt into the future. They are expecting you to take those dollars each year and use it as pay as you go or cash types of project. That is not to say that when we get these proposals back from the various teams and you decide on one that you would end up bonding everything. You may decide to use some of those dollars as a vehicle to achieve your total CIP including this project.

Alderman Gatsas asked if we take a quick analysis and say it is \$68 million over eight years that gives you how much per year in bonding.

Mr. Clougherty answered zero. Our advice to you is that you would not take any of those dollars and leverage them for additional debt. You would be putting your credit rating at risk if you did that.

Alderman Gatsas asked so the \$68 million school project that you just showed us, we are not going to increase bonding to pay for it.

Mr. Clougherty answered what we have done is basically stayed within the same approach that we have used right along to CIP. You would use about \$20 million a year in new debt. You would use approximately \$30 million over an eight-year period that you garnished from these savings, from the bonds, plus you have additionally been spending approximately \$1 million a year in SCIP cash. If you add up all of those together, that is about \$120 million over an eight-year period. That doesn't include some of your other resources like your CDBG. It doesn't take into consideration necessarily the enhanced return you might get from a better participation in School Building Aid.

Alderman Gatsas replied maybe I am not making myself clear and if the rest of the group is understanding what he is saying then I must be losing it. Let's try it again. The question is the project is a \$68 million project.

Mr. Clougherty responded conceivably. We are hoping that it would be less than that.

Alderman Gatsas stated okay then lets use \$60 million or let's use \$20 million. I don't care what the number is. It is talking about an eight-year pay back. We are going to do this project over eight years correct?

Mayor Baines replied that was the original plan.

Alderman Gatsas asked what is the new plan.

Mayor Baines answered I think that was explained. As proposals come in there may be flexibility to do it over a shorter period of time.

Mr. Clougherty stated the new plan is to be defined by the responses that you will get to your RFP's and we hope that it is not \$68 million. We hope that it would be less than that. If it came in at \$50 million, that \$50 million...

Alderman Gatsas interjected let me make the question real simple. How do we pay for this project?

Mr. Clougherty replied you are going to pay for this project using a variety of resources, which may include some of the money that you have for debt service otherwise having been provided to the fiscal year conversion bond. You may use your own debt service. You may use some of your SCIP cash. One of the nice features about this approach is it puts us in a position to take advantage of the private sector and they are taking advantage of some of the things that they have at their disposal that we may not have. At the end of the day we will get an assessment of what that net cost is going to be and we will use all of these resources that I have just listed to help to cover those costs.

Mayor Baines stated first of all when we put this plan together it stayed within the guidelines that this Board has been following in previous years. It does not expand the commitment. It draws upon the resources that Mr. Clougherty just delineated but it does not expand the commitment. I also want Alderman O'Neil to clarify another part of this whole process that I don't think we have made as clear as we should of as well.

Alderman O'Neil stated my understanding is that the option to the firms responding is going to be whether or not, and Kevin correct me if I am wrong on this, but whether or not there may be advantages to the private firms financing the project with the City guaranteeing a revenue stream to them on a yearly basis. Correct?

Mr. Clougherty replied that is a possibility.

Alderman Gatsas stated when we spend \$68 million we have to find out what pocket it is coming from and how it is getting there. I think that when we start talking about the jewels of the City and the agonies that we went through with the civic center and the airport, I think they were investigated to the last nickel. Now when we are talking about a \$68 million project here and we are having maybe this way we can pay for it and maybe that way we can pay for it, I don't think I want to be under the pressure of worrying about displaced students because obviously when you are talking about a project of this magnitude there is going to be disruption of students in schools. I am sure that we will be getting calls as Aldermen, but I am sure that the School Board will be getting just as many calls if there is any disruption with students. I think before we get into maybe this way and maybe that way and maybe the contractor has a deal we should see more specifics than asking us to look at something with a timeline that doesn't tell us how we possibly think about paying this except maybe we can do it this way and maybe we can do it that way and maybe this will be available to us. I don't think any businessman would enter into this without having specifics in front of us.

Mayor Baines responded first of all you are not entering into anything tonight at all. You are just going forward with a process that is going to allow for delineation of everything you just said you expected and I also feel that we have delineated how this is going to be paid for.

Mr. Clougherty stated the purpose tonight isn't for us to come forward to you and say here is the plan and here is how we are going to finance it. Our purpose tonight was to say you have some resources available to you. They are different. There are bonds and cash and a number of dollars that are within this overall amount that we have provided to the Mayor. The best mix of how those resources get applied to this project you won't know until you find out what the individual contractor is submitting for a cost first of all and second of all what resources he is going to bring to the table. We don't want to go out today and say here is a \$68 million project because quite frankly tomorrow's bid is going to be \$68 million. What you want to do is allow the private sector to go out and be creative by taking a look at some of the needs that you have and have them come back and offer you some alternatives that may maximize some of the resources that under a traditional financing approach would not be available. I think keeping our options open but understanding that there is a limit in terms of what our resources overall are so that you have perspective to evaluate those proposals again. I don't think that is a risky proposition or an unreasonable approach to get that information before you act.

Alderman Thibault stated this question would probably be for Bob MacKenzie. You said something about the Granite Street project. I want to know how much we are under the gun as far as the State coming in doing this and where does this put us. We certainly don't want to jeopardize that and I wanted to know if you could elaborate a little bit on that and let the Boards know where we are at.

Mr. MacKenzie replied sure and Frank Thomas could probably also chime in. the project that the City would be responsible for...the State and Federal government would be paying for a large share of the interchange at the highway. We are looking at widening Granite Street from roughly Main Street towards downtown. That project is currently envisioned as an \$18 million project. \$18 million would be very difficult for the City to come up with given all of our other resources. I do know that there has been a number of people trying to find alternative sources, primarily Federal funds. The Mayor and others have been working on it in hopes that we will be able to finance that \$18 million with not all City funds. We have initiated the project and it is rolling and on schedule but long term getting that full \$18 million would be very difficult.

Mr. Thomas stated just to follow-up the project is under design and we plan on finishing that during this next fiscal year. We are doing the land acquisition. We are going to be ready to go to construction when the State it ready to go to construction on the interchange. The big unknown is the \$18 to \$20 million we need for construction. We

are pursuing every avenue possible at the Federal level to bring into the City some highway funds. We seem to have a lot of support. I am very cautiously optimistic that we will be all right but again it is early in the Federal funding game.

Mayor Baines stated you should know that we have been in constant contact with Congressman Sununu, Senator Smith and Senator Gregg on these issues. I have received some correspondence from Senator Gregg in response to a communication that I sent to him recently and we are going to be setting up a meeting in the very near future to talk to him about setting up some strategies to secure some assistance for that project as well. We are working very hard on that.

Alderman Thibault replied I just wanted to make sure that we didn't put ourselves behind the eight ball here. I heard from you before Frank that if we do it in concert with the State there are big savings for the City if we do this project.

Mr. Thomas stated it is the disruption. The interchange project that the State is doing is going to have a tremendous disruption to traffic movement and of course the widening of the Granite Street corridor the same. We are better off to get all of our grief and aggravation out of the way at the same time. In addition we have all kinds of sewer separation work on the west side so there is a lot of activity that is going on and we are trying to coordinate them and get them all done at the same time.

School Committee Member Elise asked regarding the plan for the high schools it just cites additions to high schools. Is it just additions or was it omitted that there are renovations that are going to be done.

Mayor Baines answered it is renovations and additions. The renovations are based upon the Parsons report. Am I correct Mr. Chapman and Mr. Thomas?

Mr. Chapman stated yes. It is a combination of renovations as well as additions. Specifically I think the Central addition is the addition that was planned in the Mayor's program back in November. The Board of School Committee is aware of a couple of the other items and those were expansions at Memorial and West possibly.

School Committee Member Elise asked if the approval of the additions doesn't go through would the renovations still take place.

Mr. Chapman answered it would be the intent of this program to definitely follow-through with the renovations as cited in the Parsons Brinckerhoff report.

School Committee Member Elise asked in terms of this design build concept is there a minimum dollar amount that is looked at for something like this.

Mr. Clougherty answered no I don't think there has been one established. It is relatively new. I think the concept is to bundle as much as you can to get some economies.

School Committee Member Elise asked so if we decided that we didn't want to go forward with the Central High addition then that wouldn't affect our ability to do this program.

Mr. Thomas answered no but again that has to be defined early on in the process before we go out with the RFP. That is why I said early on that there has to be a lot of had decisions made. If that is one of them, it can be taken out of the grouping and we can still go out with the RFP.

Alderman Garrity asked tonight are you looking for both of these Boards to approve this.

Mayor Baines answered we are asking for you to allow us to go to the next step and proceed down the path that we talked about. Again, final decisions are quite a long way off. If we decided to proceed then the first thing is going to be for some decisions to be made about the scope of the work.

Alderman Garrity stated I think it is probably premature with the fact that we have six new School Board members and six new Aldermen and the fact that this is based on Parsons Brinckerhoff and the fact that probably quite a few people in this room haven't even read that report yet.

Mayor Baines replied it is an engineering study that really delineates deferred maintenance.

Alderman Garrity stated I have read it but I am sure there are a number of Aldermen and School Board members who haven't read it yet.

Mr. Clougherty replied I think that is a valid point. Unfortunately, sometimes when these windows in the economy open and close you have to expedite things and there will be every effort to educate people and bring them along as to what is in the study and what is included and there is going to have to be some give and take amongst the Boards in terms of what those core services are. I think Ron alluded to that earlier.

Mayor Baines stated one of the things we could do is we could have call people together to do a very quick review of the Parsons report and bring everybody up-to-date so that they understand these are deferred maintenance issues. We could definitely do that as part of the diligence that needs to be done.

Alderman DeVries asked in reference to the design build concept there is eventual ownership by the private contractor which brings to light some questions like will it affect our joint maintenance agreements if we enter into them and will it affect any of the State/School funding ratios. Have these questions been looked at already?

Mr. Clougherty answered that is only one approach that the group may come back with but certainly if that is one that they want to proceed with we will evaluate it. We have done some preliminary legal investigations with Bond Council. There certainly are some things that we are going to build into the RFP to make sure that if there is an interest in ownership that there are certain maintenance standards and requirements to get us in a position so that we don't start here and then 20 years down the road end up back where we are with something that is dilapidated. The key again is to have some pretty tight documents and to that end as I mentioned we may need to go and get some outside legal assistance from people who have developed these contracts before or to get some engineering assistance. If that is the case, then we will be back to you to discuss that.

Mr. Thomas stated just to follow-up, ownership is just one potential option for privately funding this project. It is only one potential but it is a valid issue.

Alderman DeVries stated Frank Thomas spoke during the presentation about the RFP being very tightly drafted so that the end product would be what you expected and that you will have a group of experts working on this from throughout the City. You also mentioned that you might seek some outside assistance. Now if the quality of the final product is dependent upon this RFP proposal when will you know that you need to seek outside expert assistance on this?

Mr. Thomas replied I think we already plan on seeking outside assistance. Kevin noted that we are going to be in contact with Bond Council and potentially outside legal counsel. We are already proposing to bring on some professional assistants to help our own staff in this. Tonight there was a request in the CIP Committee to transfer some money out of a bond balance at one of the schools to potentially identify a funding mechanism for some of this stuff. We feel right now right up front that we are going to be tapping all of these different resources so that we do put out a package that is tight and something that we are comfortable with.

Alderman Smith stated Kevin first of all we will assume that the total cost is \$66 million and you say that we may be paying over a course of six years bonding...

Mr. Clougherty interjected that is not necessarily a correct assumption. The \$68 million is not correct.

Alderman Smith asked but you said that it might be bonded over six or eight years.

Mr. Clougherty answered it could be. I had a problem with the \$68 million because I didn't want you thinking that was the amount.

Alderman Smith stated I understand that our bonding rate is very good. What would be the interest rate if we went fully bonded that we would have to pay for these projects?

Mr. Clougherty replied we wouldn't anticipate that you would bond that whole amount of money but just a piece. If you were going to go out and do it with a general obligation rate right now you would be somewhere around 5%. If the private sector wanted to get involved depending on what program they wanted, it could be more than that or less. It may be that we don't have to bond at all. If the private corporation comes back and wants to follow a different path it may be that you are not looking necessarily at a bond payment in the traditional sense but more of a lease payment, which would take the form of a cash appropriation for a lease rather than as a cash appropriation to pay for the debt service.

Alderman Smith stated I like to know what direction we are going in and apparently we are going into several avenues and we don't know which street to take as far as finances are concerned and we are asked to make some assumption tonight and vote.

Mr. Clougherty replied what I think we are saying to you is there are a lot of different avenues that may be presented to you at the conclusion of this process in terms of ways that you could finance this. What you want to do is to have all of those avenues presented to you so that you can decide which avenue is going to be best but that doesn't mean that we don't have some idea of what we can afford and it certainly doesn't mean that we don't have some idea of what we expect are reasonable costs as benchmarks against which we will evaluate these proposals. What it means is that you want to allow for some flexibility of responses from the private sector so that you can enjoy some potential savings.

School Committee Member Herbert asked, Kevin, if it were a \$60 million bond to pick a number out of a hat, under the current interest rate environment have you gotten any opinions as to what the expected savings would be and interest costs. In other words where are we historically with interest rates right now versus where we have been over time?

Mr. Clougherty answered historically the rates are fairly competitive. We are at the 5% or lower, which is a good environment. We have seen the City go out and do bonds in the early 90's for 7% or 8% and then you get into a refunding situation when the rates come down. We certainly wouldn't be looking at taking out \$68 million all at once. You do it over time. The nice thing about this proposal is you get a cash flow certainty that



helps us to predict when we can go into the market and take advantage of what is available on the rates.

School Committee Member Herbert asked would it be fair to say though given the current situation that the savings over a \$68 million bond issue, if you were to do it that way, would be \$1 million.

Mr. Clougherty replied it could be considerable.

School Committee Member Herbert stated if I heard Frank correctly, how much of this money would we be spending anyway. In other words, if we were just doing things as we always do them what would be the total amount of money we would spend. I think you referred to it but you didn't really give a number. What would we be spending anyway on these projects, especially the Parsons Brinckerhoff remediation of our infrastructure?

Mr. Thomas replied I didn't think I mentioned it specifically but just for talking purposes let's say that what we proposed here tonight if we did it as we were going along at \$5 or \$6 million a year we are probably talking somewhere in the range of \$65 million. Again, that price would escalate every year based on CPI and increases due to inflation, material costs and whatnot. The big savings by going with a design build and lumping them all together is you are getting a price that is committed to based on today's dollars with maybe some adjustments in the near future. Again, we would be doing it over a long period of time. Quite frankly I believe that lumping these up and getting a large contractor in you are probably going to see the work done in half the time that it would normally take.

School Committee Member Herbert stated the reason I am asking the question is I would like the public to understand that what you are proposing is really a tremendous savings of money that we are more than likely going to be spending anyway in order to discharge our responsibility to keep our school system the way we like it. We are not necessarily talking about huge amounts of new money. We are talking about the monies that we have used in the past doing piece meal and going to bid for every project and going through the entire political process for every project. The Mayor is proposing that we take advantage of an interest rate environment that is literally going to save the taxpayers millions of dollars. We are trying to level the playing field and clear a lot of the debris out that every contractor has to face every year when they want to work with Manchester and that is going to create savings. Finally, it is going to give a certainty and a commitment to the expenditures towards our educational infrastructure and that by itself will save money. What we are really talking about here is a proposal to save, in my opinion, millions of tax dollars.

Mayor Baines replied that is absolutely correct.

School Committee Member Herbert stated I think we need to keep our eye on that and even if we do it the traditional bonding away and there is no private funding for ownership or anything, if we just do it the old fashioned way but use this technique, the funding that we get from the State and Federal government hasn't changed a bit. Nothing is really any different here except that we are taking advantage of a unique contractual relationship and a unique time in our interest rate history to save the taxpayers money. I think that kind of got lost.

Mayor Baines replied I think it has also and one of the things that Mr. Clougherty has been saying is we are taking a risk and making it certain and that has been our goal here.

Mr. Clougherty stated if you are able to get out in this environment and get an expedited approach to your project...we have been focusing tonight on the capital side but right now the School District is probably spending \$500,000 a year on rental of portables. The sooner you get rid of those portables because you have made these other improvements, that helps for education. If you can get these projects done a little more faster and they are a little more energy efficient, there should be some savings operationally in some of these areas as well. I think those are things that we really haven't taken a lot of time to quantify but as these reports or these responses come in I think it will be clear that it is not just the capital and interest rate environment but we might be able to get some things done faster so the students can enjoy them faster and the operational side of the School's budget may receive less pressure as well.

School Committee Member Perry stated I think as a business person first and also a taxpayer and Alderman Gatsas has been trying to say hypothetically if we pick a number...I think if we put a stake and drive it into the earth and let's say it is \$66 million and that there may be a private concern out there who may decide to carry the paper for a period of time and I don't know how much paper they might want to carry at 5% because I wouldn't want to carry a lot of it but I would like to see some scenarios memorialized to say if we do it the old way this is what we would expect to see and if we go through bonding this is what happens and how much is left available if something else comes up that we need to take care of. Say Central High School is blown up God forbid but things happen and if something happens and we suddenly have to build a new building unexpectedly would we be able to do it and how long would it take. These scenarios could include where the funds would be coming from and then we would understand what the savings were and the taxpayers themselves would be able to see if it was in the paper. This is new to everybody and bonding is new to a lot of people too and people don't understand how it works and what goes where. I think if we could give that level of comfort to people to understand it...you know tonight we probably could have saved

an hour and a half of going around on that just to be able to produce it and it certainly is something that should be demonstrated to people before you ask them to commit to go forward on something. I don't have a problem if it appears to be a good idea. I would like to see this go forward but I would ask for consideration of my vote let's take the next step and see how it is coming. I would ask while we are going forward there and hopefully Alderman Gatsas would agree and say let's go forward, let's show some of the areas of where this money might go. Pick a number like \$68 million or \$66 million. What I am saying is people could understand it. When it comes to other people on the Board I know that I certainly could use a little review on bonding and how it works. That might be some sort of education in the process going along. We should probably go forward and take a vote on moving ahead with this but we would like to get some deliverables with that.

Mr. Clougherty stated I think that is exactly the process we want to go through. We want to find out what is that number and once that is available we are not going to ask you to make a decision before you do have a number before you but it is a process that we are going to have to go through and it is going to have education and it is going to be decision making.

School Committee Member Perry stated until we get a contractor or a group of contractors, we have to deal with the hypothetical and say these are some possible scenarios that may take place. We don't have to worry too much about the contractor's side of their creativity and what they might put together. I think the concern that I heard from Alderman Gatsas if I am correct is how are we paying for it, where is the money coming from and how is this going to impact us in other areas if we do suddenly need to build something.

Alderman Wihby stated there is nobody sitting here that is opposed to fixing the schools or spending that amount of money. I think everybody wants to know the process. The only thing on the agenda today is to vote on the ordinance, not to say that we want to accept this or the timelines or anything else. The only thing we are voting on is the ordinance if we want to do that and there is nothing wrong with passing that. I would suggest and I hear from the new members that they want to go over this but we have a meeting next week and we can get those charts. Kevin, when we always talked about debt service we had a number and there was so much money of the tax rate that was for debt. First of all this is an eight year project or a four year project or pick a number and that is not saying that we won't get a bond for 20 years is it? You could go out and bond this project and the work will get done in two years, four years or eight years but the bonding of it goes on for 20 years maybe.

Mr. Clougherty replied that is correct.

Alderman Wihby stated that is what is bringing down the price. When we looked before and we had a chart that said \$2 of the tax rate or \$12 or whatever the number should be for debt service where does this put us? Does this put us at the maximum level so that if anything happens...

Mr. Clougherty interjected the total number that we gave to the Mayor, the eight years, we are trying to stabilize.

Alderman Wihby asked are you counting on a 20-year bond.

Mr. Clougherty answered in some cases it may be 20 and in some cases it may be less. Again, it depends on the nature of the project and the life of the project.

Alderman Wihby asked so you went through the projects and found out how many years you could possibly bond all of these projects in the study.

Mr. Clougherty answered no. What we have done is at the Mayor's request I handed to Bob MacKenzie a list of parameters in terms of what we could raise in debt over that period of time and in terms of what we could expect as a return as a result of the fiscal year conversion going away. Bob has taken a look at those projects and worked it into the CIP forecast that he is looking at for the next eight years to say these are the things we will be able to do. If, again, your debt stays the same.

Alderman Wihby asked so somebody went through the study and said this new addition can be bonded for five years and this one could be twenty-year.

Mr. Clougherty answered I think the majority have longer terms.

Alderman Wihby stated what is confusing is everybody here is sitting here thinking that you are talking about an eight year project and paying for it for eight years but you are not, you are paying probably closer to 20 years on that \$68 million. Where does that leave us if something else happens within this 20 years if you had a road or a school that had to happen? Are we at the maximum level and you would tell us that we can't bond anymore and we have to start picking and choosing what projects we want to do?

Mr. Clougherty replied I think you are at that level. Obviously we don't have an open checkbook here and we have to find those parameters. There is an amount that you will have to live with overall. Is that going to change each year...

Alderman Wihby interjected for instance the Riverwalk. We couldn't afford it one year and decided to only do part of it. Where does that play into this? Does that put that out for the next 20 years?

Mr. Clougherty replied no I don't think it does because what happens is one of the reasons you are always trying to decide where the Riverwalk occurs is because you have so much uncertainty on the school funding issue. Once you have some definition to that and you know what it is and it is a fixed cost with fixed rates and it is taken care of you can then go back and take a look at the other projects.

Alderman Wihby asked so when you put this thing together you decided what you were going to do for the next 20 years in bonding debt for all of these projects assuming \$60 million or whatever so you must have set some number aside for other projects and what you thought you could do. What was that number that you set aside?

Mr. MacKenzie stated what has been handed out previously but we have not had the time to really work with the Board on is the whole capital program over an eight year period. That is roughly a \$140 million program to cover all of the costs of various special projects and capital projects of the City. Roughly half or a little more are school projects, but there is money outlined in the eight-year plan of roughly \$140 million. There was a scenario assumed for that. That scenario was that we would be fairly tight on the bonding and being tight means that we are going to try to keep or improve our bond rating as well as having a relatively neutral impact on our taxes. So the scenario that was drawn at the time and design build may affect that, the scenario drawn at the time was \$140 million and we are talking roughly \$80 million in bonds, which is \$10 million in bonds a year, roughly \$40 million in cash and most of that would be cash savings as a result of paying off the fiscal year conversion and roughly \$20 million in other State and Federal funds, which would be School Building Aid reimbursement and Federal programs, etc. That was the scenario for the \$140 million, the overall capital plan that you will be seeing when the Mayor does present his CIP budget.

Alderman Wihby asked what happened to the other 12 years. Are we still at max at those years by doing this?

Mr. MacKenzie answered what you have to remember is that almost every year we are paying off old debt too so the \$80 million that we are looking at over eight years, we are probably paying...I don't know what our average pay off is but we are probably paying off close to \$80 million in old debt service. That is why the Finance Department tries to keep a relatively neutral impact. They look at the long-term total bonding. Right now we have outstanding \$118 million in debt other than Enterprise programs. Enterprise is separate. Over the next eight years we are going to pay off a good chunk of that outstanding debt.

Alderman Wihby asked so you see it tight for eight years and then it loosens up a little because you are retiring the debt. You are going to have other projects that you are going to add on to the thing so you are always going to be tight.

Mr. Clougherty answered I think that is true and as you know we make these assumptions going forward. We haven't built in to the assumptions that you may get additional valuation. If additional valuation becomes available then the capacity goes higher. If you have an additional increase in your population and your wealth goes up, you have more capacity. As those things occur, they aren't taken into consideration. I think it is a pretty conservative plan that we have put forward.

Alderman Wihby stated let's just assume...I know that the Mayor is thinking in his budget to make the Assessor's a department rather than going out and bonding \$3 million. Let's assume in five years that we have to do that. Would we have the capacity to do that or are we going to have to sit down then and try to cut \$3 million out because this is something that is unanticipated and if so where are we going to make cuts if we have this contract and there is nowhere to go?

Mr. Clougherty replied if you take a look at each year, you are going to have to make some decisions. There are going to be additional things. I don't think the design build contract is going to satisfy all of the needs of everybody on the School Board for all of the schools. You are trying to take a core and deal with that but there is no question that every year you are going to have to take a look at priorities going forward. There may be some decisions about like in this case the Assessors. If that were something that we had to deal with, we would try to do it over a couple of years perhaps and try to work it as we do now within the overall guidelines of our capacity.

Alderman Wihby asked if we hadn't done this and had done it the normal way it would probably cost more money but in the normal way what would end up happening probably is you would only do as much as you could and you would add other items in and you wouldn't do the stuff that we are going to do now and we wouldn't be making the commitment that we are trying to make in doing the whole thing.

Mr. Clougherty replied you would have uncertainty every year.

Alderman Wihby stated we went to a meeting today at CIP and we were trying to find \$15,000 for something and they said it wasn't there and now we are talking...other things could pop up in eight years but the old way allows you to have some freedom to pick and chose and take things out. The new way tells you that you are going to save some money but you are also making the commitment.

Mr. Clougherty replied if you look at it from the credit perspective what they are going to do is look and see that the new way is a better way because it is planning. You are committing to doing something over time. You are not constantly going in and shuffling things around, which is regarded I think as not having a good plan in place. That flexibility although it has been helpful in the past is not something that is going to help us favorably from a ratings perspective.

Alderman Wihby asked when you go out for proposals and you know in the study what should be done first, second, third I guess or someone can decide that is there any way of dividing that up when you go out so that you can do two options. You can go with the whole big amount or start picking by year so you would actually know what you are saving over those years and how much leeway you would have there? Is that a way you are planning on doing that?

Mr. Clougherty answered I think there are a lot of different ways for us to structure this RFP and once we start to get a better handle on what the core projects are, which has always been the hardest thing to do because it is such a moving target and because nobody can decide on those, then yes.

Alderman Wihby asked is that something you plan on doing, dividing it up so you can pick and choose and see how much you can save.

Mr. Clougherty responded we have talked about looking at it in terms of some different modules and we are going to take a look at that and see what flexibility we have. Quite frankly, if you are going to bid out this item I think the less of that you have the better the bid you are going to get. The more uncertainty in picking and choosing from the contractor side, they are going to build in reserves and things of that nature so I think you are better off saying this is the core and we are committed to this and we have to get it done no matter what happens and do it and you will get a better response.

Mr. Thomas stated definitely you want to have a solid defined core. You can, as I mentioned, have maybe one project in there or maybe even two projects as a deductible alternative but again we want that core to be as large and concise as possible so that they know going in that is a done deal.

Alderman Wihby replied I am saying go in with the plan but is there a way of going in and saying here is the plan and this is one way we would like it and here is another way we would like it.

Mr. Thomas responded I think you would be defeating the purpose of the design build. With the design build you want to take advantage of fast tracking and getting the projects

done quickly. That savings to the contractor is ultimately savings to the City. If you are looking to try to spread this back over the eight-year period...

Alderman Wihby interjected I am just looking for an option. They bid your way but they also bid yearly just so there is an option so you know how much we are saving.

Mr. Thomas replied we weren't intending to do it that way.

Alderman Wihby asked as far as the ordinance goes would you agree that that is the only thing we are voting on tonight and can we have that chart that shows the next eight years and everything at the next meeting.

Mayor Baines answered yes we can have that chart available and I think by passing the ordinance that is all we really need tonight. Am I correct on that Kevin and Frank? The idea of opening up the avenue to proceed down there as we get various clarifications and concerns of the Boards addressed.

School Committee Member Paradis asked was the School Administration building mentioned at all in this plan.

Mayor Baines answered no.

School Committee Member Paradis stated in a statement for Ward 8 constituents, converting the Manchester School of Technology into a full-fledged high school or whatever down there would definitely be very, very unpopular. To say it mildly, the traffic is unbelievable in that area. We have four schools in the radius of a block and a half and when the new Shaws comes in we are going to have more traffic and it is really going to be something else. I have listened to the amounts and the numbers and everything and on the good side with the low interest rates I can find a few positive things here in the plan and all that we have discussed. I don't know much about buildings but you people just have to pass the ordinance tonight and the School Board does not do anything this evening is that correct?

Mayor Baines replied yes and just a quick response to the traffic you would probably end up with less traffic because right now they are going in and out of there four times a day down there.

Alderman Guinta stated I understand and I agree that the schools need to be improved and I also sense the level of urgency we have here not only among the people sitting here but among the residents of Manchester. That being said, I would like to be sure that we are prudent in how we go forward with this project. I want to ask a few quick questions



for clarification. As I am hearing this project unfold, it dawns on me that it was put together by the Office of the Mayor, correct?

Mayor Baines replied no. We have worked together as a team with Finance, Planning and the staff at Public Building Services and Frank Thomas's team. This is something that we have been working on for several months. The design build came forward over the past couple of weeks. This has been a team effort.

Alderman Guinta asked during that period of time did anybody in those meetings say these are going to be our payment options.

Mayor Baines answered yes.

Alderman Guinta stated that is still not clear to me.

Mayor Baines replied I know and that is a concern that we are not being clear enough because I think we tried to delineate that. We are going to give you better information on that. I think Mr. MacKenzie has tried to explain it and Mr. Clougherty has tried to explain it and I understand that some people are not getting the whole thing and we are going to clarify that for everyone.

Alderman Guinta responded when I say that we need to be prudent to me it makes sense that when a project is put together some identifying payment methods should be at least discussed. I understand that you are saying it was discussed here tonight but I still don't have it clear.

Mayor Baines replied I appreciate that and we will clarify it some more. We have identified the various funding sources including cash and obviously we have talked about the retirement of the conversion bonds and we talked about the same level of commitment to bonding so that would remain level in terms of our commitment and we have also talked about State Building Aid up to 55% that would be returned. What did I miss? Also some funds that are related to the poverty level in certain areas of the City. Those are the funds. Now what I think we need to do based on what I have heard tonight is put this out in a format so that you can actually read it but those are the sources of the funding.

Alderman Guinta responded that makes it a little clearer for me. I wish that was stated an hour ago.

Mayor Baines stated what happens and I understand exactly where you are coming from because we have been using this language and I think Mr. Perry made some comments

about bonding. There is some education we need to do and we recognize that and we are committed to do it. Those are basically the funding sources.

Alderman Guinta replied I understand the sources that would be available to us but my more specific question was when this was being put together the group of people who were putting this together what were their ideas as to the sources of funding and I think you just numerated them so I appreciate that. I have a few other quick question. We keep referring to the Parsons Brinckerhoff study. In that study I assume there is a bottom line figure as to how much money is needed or required to fix the schools in Manchester and does it also identify a timeline?

Mayor Baines stated I think it is approximately \$28 million in deferred maintenance that was identified by the study. Am I correct?

Mr. Thomas replied no. The first phase is around \$35 million and defines the deferred maintenance issues. The second phase deals with capacity issues. The total project costs ranged from \$100 million to \$140 million and talked about potential new schools and what not. The first phase, that is pretty much a given. It is clearly defined that these are the things we have to do to address the deferred maintenance. The second part of it as I alluded to in our presentation, which is about the other 50% of the total project cost is the need for the additions, etc. to meet capacity requirements.

Alderman Guinta asked so essentially what we are doing is moving into a new era of how we pay or finance the improvement of schools through this design build program and because we are streamlining this process we will realize a cost savings. So theoretically over the eight year life of this project or thereabouts and theoretically between \$50 and \$70 million depending on what happens with some of the other schools in the surrounding towns, we will actually spend less.

Mayor Baines replied that is our goal.

Alderman Guinta stated so our goal in addition to this can be to fix our schools and actually reduce taxes at the same time.

Mayor Baines replied our hope is that it is on the low end and it might cost millions less than anticipated.

Alderman Guinta responded I just want to make sure that I am clear. Because we are going to change the process, which as the Chairman of the Board said saves a tremendous amount of money, we would be spending less over the eight year period to get the same amount of things accomplished thereby trying to reduce taxes as well and save the taxpayers of Manchester some money and give them first rate schools.

Mr. Clougherty stated if you don't reallocate those savings through other projects, that is true.

Mayor Baines stated that would be the goal.

Alderman Guinta stated if the people in this room can fix the schools in the City of Manchester to make them the third jewel of the City and we can save the taxpayers money, I am 100% behind this project.

School Committee Member Stewart stated I just want to make the comment that to me it is exciting to have the opportunity to address our school's maintenance and capacity concerns in this fast track phase and I would certainly like to thank the City and School personnel who presented this new option to us. First, this gives us some options for financing that we have never had an opportunity as a City to look at before, however, I think as Mr. Clougherty or Mr. Thomas said earlier, if we find out that the option that we hope is presented to us, which is a less expensive fast track option is not feasible at least what it allows us to do is have a plan and we can still proceed with these improvements in what was the status quo or the way we do things now. I don't think there is a loser in this case if we proceed in that manner.

Alderman Shea stated I think that just to pick up where Alderman Guinta came from we have to consider that it is not going to be \$50 or \$70 million but it is going to be that plus the interest that we have to pay so in the long run it could run quite a bit more money. I am not against this but I am just saying that we are talking about \$30 million plus interest or \$50 million plus interest and that is a concern that we have to realize when we do get involved.

Alderman Gatsas stated I believe the City is already involved in a design build project. Is Mr. Jabjiniak still here? Isn't the City involved in a design build project now?

Mr. Clougherty asked are you talking about one of the projects on Elm Street.

Alderman Gatsas answered yes.

Mr. Clougherty stated that may be but I haven't talked to Bill about that. I think you are probably right.

Alderman Gatsas replied we amended this ordinance once to allow the project to go forward so this isn't a new concept. We have been using it for the better part of a year.

Mayor Baines stated this is the first one of this magnitude.

Alderman Gatsas replied but it is still not something new to us so for people to make the assumption that this is something new, the City is already involved in a design build project. The concerns that I have is if Kevin wants to tell the taxpayers in the City of Manchester that this project is not going to increase taxes then certainly I will listen to that because that is the question that Mr. Perry was referring to. Kevin, are you saying that this is not going to increase the tax rate?

Mr. Clougherty responded the whole idea here is to try and go out and get the lowest possible rate. Is it going to increase your taxes? Of course it is. You are doing new activity. Is it going to increase the taxes at the lowest possible amount and stay within a financial plan so that you can level your taxes going forward? Yes, that is the goal.

Alderman Gatsas stated if there is an increase in taxes, your Honor, I would think that before we need to make any assumptions on amending procurement codes that we should have...I think there was a commercial on TV where the little old lady said "Where's the beef?" I think we should start seeing the beef before we start making commitments for the City of \$68 million or \$168 million or \$35 million.

Mayor Baines replied with all due respect this is not making a commitment at all. We are not going to make a commitment until all of the information is in.

School Committee Member Gross stated I don't think it is unreasonable to not have the full finance plan and impact together before we have any proposals. I think that is...first you have to have the proposals and then I am sure Kevin is quite capable of coming forward with the finance plan. At that point, we can either belly up and decide to make the schools better or we can decide not to. At this time what you are trying to do is implement something that obviously...I was listening closely to Alderman O'Neil when he was saying the amount of money that was saved on Route 93 was almost 50% by going with a design build formula. That is the new thing. That is what we are sitting here discussing. That is a brand new concept in a major way. If I understand correctly, Alderman Gatsas was a proponent of that fast track and that design build concept. What you are voting on, unless I am misunderstanding, is to go forward with that concept so that we can tell our people...half the problem we have is that we keep sending things back to Committee and anything that move forward or is a little bit different we have a tendency to be very, very cautious which is okay but in this instance it is a formula that we are trying to move forward with. It is an idea and a concept that we are trying to move forward with and you will have a chance to vote on whether to fund it or not somewhere down the road. Again, I think that School Committee Member Stewart was very clear and very succinct when she said it is a no lose situation here if you decide to allow this to go forward.

Alderman Forest stated I think I have a couple of questions. First, what am I voting for tonight and if I vote in favor of whatever I am voting for what is it going to cost? I realize you are all doing studies and all of that...

Mayor Baines interjected first of all there isn't any cost to anything you do tonight. You are changing the procurement code to allow this process to occur if the Board subsequently decides to vote.

Alderman Forest asked would it only be for this project.

Mayor Baines answered it is only for this project. That is it.

Alderman Thibault moved to suspend the rules and place the ordinance on its final reading by title only at this time without referral to the Committee on Bills on Second Reading and without referral to the Committee on Accounts, Enrollment and Revenue Administration. Alderman O'Neil duly seconded the motion. A roll call vote was taken. Alderman Guinta, Sysyn, Osborne, Pinard, O'Neil, Lopez, Shea, DeVries, Garrity, Smith, Thibault, Forest and Wihby voted yea. Alderman Gatsas voted nay. The motion carried.

Ordinance:

“Establishing a special purchase procedure for the Manchester Schools Improvement Project.”

On motion of Alderman O'Neil, duly seconded by Alderman Pinard, it was voted to read by title only.

This Ordinance having had its final reading by title only, Alderman Lopez moved on passing same to be Ordained. Alderman Shea duly seconded the motion. There being none opposed the motion carried.

This being a special meeting, no further business was presented and on motion of Alderman Pinard duly seconded by Alderman DeVries it was voted to adjourn.

A True Record. Attest.

City Clerk